

## APPENDIX IX

### ATTACHMENT 1

#### FORMULA RATE PROTOCOLS

##### 1. INTRODUCTION

SCE shall calculate its Base Transmission Revenue Requirement (“Base TRR”), as defined in Section 3.6 of the main definitions section of this TO Tariff, using the formula rate that is presented in spreadsheet format in Attachment 2 to Appendix IX (“Formula Rate Spreadsheet”).<sup>1</sup> The Formula Rate Spreadsheet contains fixed formulae that are only subject to change pursuant to Sections 205 and 206 of the Federal Power Act, and will be populated with data from SCE’s annual Federal Energy Regulatory Commission (“FERC” or the “Commission”) Form 1 filing or from other SCE records. The sources of the data used in the Formula Rate will be: (a) identified in the Formula Rate Spreadsheet by fixed references to specific locations in FERC Form 1, or (b) provided by SCE in accordance with Section 3 of these Protocols.

The Base TRR shall be calculated annually in accordance with the Formula Rate and shall be equal to the sum of the Prior Year TRR, the Incremental Forecast Period TRR, and the True Up Adjustment. Additionally, SCE shall include a Cost Adjustment in the Base TRR for the upcoming Rate Year in the event that a discrete cost of service item (e.g., individual O&M expense, tax expense, or revenue credit) incurred anytime between the beginning of the Prior Year and the September 30 immediately preceding the Annual Update filing (i.e., a 21 month window) is a one-time item that will not recur in such Rate Year. Individual items shall not be aggregated for purpose of determining a discrete cost of service item. The discrete cost of service item must amount to at least 3% of the Base TRR in such Annual Update filing in order for a Cost Adjustment to be included as a component of the Base TRR. The Cost Adjustment shall be handled as follows:

- a) If the discrete cost of service item occurred during the Prior Year, then the Cost Adjustment component of the Base TRR shall be an amount with the same magnitude but of the opposite sign as the discrete cost of service item. For example, if the discrete cost of service item is a \$100 million one-time property tax refund (a negative item) received during 2012 but which will not recur during 2014, + \$100 million will be included as a Cost Adjustment component of the Base TRR in the Annual Update for the 2014 Rate Year. If the discrete cost of

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<sup>1</sup> Attachment 2 consists of thirty-four (34) individual Schedules. All references in the Formula Rate Protocols (“Protocols”) to Schedules refer to Schedules in the Formula Rate Spreadsheet. The Formula Rate Spreadsheet and Formula Rate Protocols together comprise the “Formula Rate.” The formula rate that was in effect from January 1, 2012 through December 31, 2017 pursuant to Docket No. ER11-3697 shall be referred to herein as the “Original Formula Rate”, and the formula rate that went into effect on January 1, 2018 pursuant to Docket No. ER18-169, through the effective date of this Formula Rate shall be referred to herein as the “Second Formula Rate”.

service item is a \$100 million one-time O&M cost (a positive item) incurred during 2012 that will not recur in 2014, - \$100 million will be included as a Cost Adjustment component of the Base TRR in the Annual Update for the 2014 Rate Year. Both examples assume the 3% threshold is met.

- b) If the discrete cost of service item occurred between January 1 and September 30 of the year in which the Annual Update filing is submitted to FERC (i.e., the year before the upcoming Rate Year), then the Cost Adjustment component of the Base TRR shall be an amount with the same magnitude and the same sign as the discrete cost of service item. For example, if the discrete cost of service item is a \$100 million one-time property tax refund (a negative item) received during the first nine months of 2013 but which will not recur during 2014, - \$100 million will be included as a Cost Adjustment component of the Base TRR in the Annual Update for the 2014 Rate Year. If the discrete cost of service item is a \$100 million one-time O&M cost (a positive item) incurred during the first nine months of 2013 that will not recur in 2014, + \$100 million will be included as a Cost Adjustment component of the Base TRR in the Annual Update for the 2014 Rate Year. Both examples assume the 3% threshold is met.

If SCE includes a Cost Adjustment in its Base TRR, SCE shall include with its Annual Update an explanation of its belief that the discrete cost of service item that is the subject of such Cost Adjustment will not recur in the upcoming Rate Year.

The Wholesale Base TRR is equal to the Base TRR adjusted as follows (as set forth in Schedule 25): (1) Uncollectibles Expense is not included in the Wholesale Base TRR; (2) the Wholesale Rate Base Adjustment and associated Wholesale Expense Difference is included in the Wholesale TRR; (3) EEI dues and EPRI dues are excluded from the Wholesale Base TRR; and (4) Franchise Fees Expense included in the Wholesale Base TRR is lower than that included in the Base TRR due to the Franchise Fee Factor being applied to a lower Base TRR.

## **2. TERM OF THE FORMULA RATE**

The Formula Rate shall become effective on the date the Commission determines, and SCE's Base TRR shall be subject to true up beginning on that date in accordance with these Protocols. Retail and Wholesale transmission rates shall become effective on the date the Commission determines, and shall be redetermined annually in accordance with these Protocols and the Formula Rate Spreadsheet. The Formula Rate will remain in effect without termination unless and until SCE files pursuant to Section 205 of the Federal Power Act to replace the Formula Rate with a successor transmission rate mechanism and the Commission accepts such successor transmission rate mechanism. This Formula Rate shall remain in effect until the date that the successor rate mechanism filing is made effective by the Commission.

### 3. PROCEDURES FOR UPDATING THE BASE TRR

For as long as this Formula Rate is in effect, SCE shall update its Base TRR for the upcoming Rate Year<sup>2</sup> according to the timeline and procedures described in this Section. A summary of the procedures for updating the Base TRR is set forth in the following table:

<b>Event</b>	<b>Date</b>
Posting Date of Draft Annual Update	June 15
Start of Information Requests	June 15
Draft Annual Update Conference	June 15 – July 15
End of Information Requests	November 1
Annual Update filed with FERC	December 1
Rate Goes into Effect	January 1

#### a) Draft Annual Update

On or before June 15 of each year, SCE will post to its website ([www.sce.com](http://www.sce.com)) its Draft Annual Update and will provide electronic notice of such posting to the Service List.<sup>3</sup> The Draft Annual Update shall set forth the Base TRR for the upcoming Rate Year, and shall include populated versions of all Schedules comprising the Formula Rate in their native format with all formulas and links intact. In addition to the foregoing, the Draft Annual Update shall include the following:

- 1) All workpapers used in the calculation of the Base TRR. The workpapers shall be provided in their native format, with all formulas and links intact.
- 2) The Plant Study described in Section 9 of the Protocols in native format with all formulas and links intact, along with all workpapers prepared in support of the plant study, and a description of any changes in the methodology used to perform the Plant Study as compared with the Prior Year's Annual Update.

<sup>2</sup> "Rate Year" shall mean the twelve consecutive month period of January 1 through December 31 that corresponds to the year for which charges are assessed under the Formula Rate.

<sup>3</sup> The "Service List" includes (1) any state regulatory agency with jurisdiction over the rates, charges or services of SCE; (2) any person or entity admitted as a party to this Formula Rate proceeding; and (3) any person or entity admitted as a party in any Annual Update proceeding filed by SCE in accordance with these Protocols. For purposes of communications with parties on the Service List, SCE will include the individuals on the service list in the Docket in which this Formula Rate is filed, and parties that are admitted in future FERC proceedings involving Formula Rate Annual Updates. Any references to a "party" in these Protocols shall mean any party to the Docket in which this Formula Rate is filed and any party admitted to future FERC proceedings involving Formula Rate Annual Updates.

- 3) Workpapers supporting the inputs that appear in Schedule 27 in equivalent form to the workpapers provided in FERC Docket No. ER11-3697, Volume 4, Workpapers for Exhibit SCE-600, pages 1-268.
- 4) Workpapers that demonstrate the historical corporate overhead expenses recorded for ISO projects by Project Identification Number (PIN) that closed in the prior year and have accumulated ISO project costs greater than \$5 million.
- 5) Workpapers that demonstrate the derivation of the AFUDC rates applicable to all projects in the prior year.
- 6) Workpapers supporting the forecasted gross plant expenditures shown on Schedule 16.
- 7) A statement that identifies each ISO project (PIN) with total direct expenditures (recorded and forecast) greater than \$5 million projected to go into rate base during the forecast period. The statement will also include the monthly budgeted direct expenditures, to the extent such currently projected costs are shown on the most recent applicable SCE budget documents, and the total project cost of each project.
- 8) Workpapers showing the beginning of year and end of year outstanding network upgrade credits, as well as interest on network upgrade credits that is recorded in Account 252 listed by entity due those credits. The workpapers shall be provided in equivalent form to the workpapers entitled "Workpapers for Exhibit SCE-800" provided by SCE in FERC Docket No. ER11-3697.
- 9) Workpapers showing forecast period incentive Construction Work in Progress ("CWIP") projects by PIN and by month that support the values in Schedule 10 at lines 29-70 in equivalent form to the workpapers provided in FERC Docket No. ER11-3697, Volume 3, Workpapers for Exhibit SCE-500, pages 149-175.
- 10) A description of any Material Accounting Changes contained in the Draft Annual Update.<sup>4</sup>

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<sup>4</sup> "Material Accounting Changes" shall mean any material change that affects SCE's transmission rates as follows: (i) accounting policies and practices from those in effect for the Prior Year upon which the immediately preceding Annual Update was based, including those resulting from any new or revised accounting guidance from the Financial Accounting Standards Board; or (ii) internal corporate cost allocation policies or practices in effect for the Prior Year upon which the immediately preceding Annual Update was based; or (iii) income tax elections from those in effect for the Prior Year upon which the immediately preceding Annual Update was based; or (iv) cost allocation policies between EIX, SCE, and subsidiaries of either, from those in effect for the Prior Year upon which the immediately preceding Annual Update was based. Additionally, a Material Accounting Change shall also include any: (i) initial implementation of an accounting standard; or (ii) initial implementation of accounting practices for unusual or unconventional items where the Commission has not provided specific accounting direction.

- 11) A workpaper describing the nature and amount of each project/activity, the costs of which are booked to Account 930.2 and which are recovered under the Formula Rate. The workpaper shall include, for each account 930.2 line item cost shown in FERC Form 1, the following information: 1) Total FERC Form 1 cost; 2) Amount Included; 3) Amount Excluded; and 4) Formula rate reference to the reason for the exclusion(s).
- 12) A workpaper identifying each discrete A&G cost item that has been excluded from Schedule 20 of the Formula Rate (including both “positive exclusions” and “negative exclusions”), together with a summation of such items by account.
- 13) A description of any facilities SCE projects will change classification between CPUC and CAISO jurisdictions through the Rate Year. This description should include an estimated date for when the project will change classification, the reason for the classification change, and the proposed future rate recovery (*i.e.*, whether through FERC or CPUC rates).

b) Draft Annual Update Conference

SCE will provide notice to parties on the Service List of a one-day meeting, to take place on or before July 15 of each year, to discuss the Draft Annual Update. By mutual agreement of SCE and the parties on the Service List, such a meeting may take place in-person, via telephone, or video-conference. SCE shall make appropriate personnel available for such meeting. Additional meetings to discuss the Draft Annual Update shall be scheduled as SCE and the parties on the Service List may mutually agree.

c) Information Requests

- 1) At any time from June 15 until November 1, parties on the Service List may submit reasonable information requests to SCE regarding the Draft Annual Update.
- 2) SCE shall make a good faith effort to respond to information requests in writing within ten (10) business days of receipt. Alternatively, if SCE in good faith believes that the information request is unreasonable, SCE may object to the request. SCE shall contemporaneously provide copies of all responses to all parties on the Service List that have indicated to SCE that they wish to receive such copies. If SCE objects to an information request, then SCE shall make a good faith effort to provide its objections within ten (10) business days of receipt of the information requests to the party serving the request. SCE shall include in its objection the basis for the objection. SCE and the party serving the information request on SCE will work cooperatively and in good

faith to resolve any questions, objections, or disputes relating to the information requests.

- 3) Responses to information requests shall not be designated as settlement communications or produced under the Commission's rules and regulations governing settlements, unless provided as a privileged settlement communication in a Commission proceeding being conducted under the Commission's settlement rules. SCE may mark materials provided in response to an information request as Protected Materials in accordance with Exhibit A to the Protocols. To the extent an information request response calls for the production of Protected Materials, SCE will only provide such materials to the parties with whom it has entered into a non-disclosure agreement that is included in Exhibit A.
- 4) To the extent SCE and any interested party(ies) are unable to resolve disputes related to information requests submitted in accordance with these Protocols, SCE or any interested party may petition the FERC to appoint an Administrative Law Judge as a discovery master. Neither SCE nor any interested party shall object to a request for a Discovery Master. The discovery master shall have the power to issue orders to resolve discovery disputes, as appropriate, in accordance with these Protocols and consistent with the FERC's discovery rules. The discovery master's orders shall be subject to appeal to the Commission and to the courts to the same extent and under the same rules as would be applicable to an Initial Decision issued under Rule 708 of the Commission's Rules of Practice and Procedure. In the event the Commission establishes hearing procedures for an Annual Update, the discovery master's responsibilities shall be transferred to the Presiding Judge for such hearing effective upon his or her appointment.

d) Annual Update

- 1) On or before December 1 of each year, SCE shall file with the Commission its Annual Update setting forth the Base TRR and associated rates for the upcoming Rate Year. It is expressly intended by these Protocols that the Commission will issue public notice of the Annual Update inviting public comment, and SCE shall request in its Annual Update filing that the Commission issue public notice of the Annual Update inviting public comment.
- 2) SCE shall identify in the Annual Update any corrections or other changes to the Draft Annual Update, and shall provide an explanation of the reason for the changes. SCE shall also include in the Annual Update any changes to the Draft Annual Update that it and any other party have agreed upon as of November 15.

- 3) The Annual Update shall not modify the Formula Rate or subject the Formula Rate to modification, and shall not constitute a rate change filing under Section 205 of the Federal Power Act. Any party may challenge the justness and reasonableness of SCE's implementation of its Formula Rate with respect to: (a) whether SCE has properly and reasonably applied the Formula Rate Spreadsheet and the procedures in these Protocols; (b) whether the costs to be recovered have been accurately stated, properly recorded and accounted for pursuant to applicable FERC accounting practices and procedures; (c) whether the costs to be recovered through the Base TRR and associated rates have been or will be prudently incurred; (d) whether SCE's projections have been reasonably made; (e) whether its calculation methodologies are consistent with the Formula Rate; (f) whether SCE has made the required filings under Section 8(a) of these Protocols to reflect any intervening change(s) to the Uniform System of Accounts or FERC Form 1; and (g) whether any Material Accounting Changes are reasonable and consistent with the Uniform System of Accounts.
- 4) The Base TRR set forth in the Annual Update and associated rates shall be effective on January 1 of the upcoming Rate Year.
- 5) Any party may comment on or protest the Annual Update. Any party may request that FERC establish hearing and/or settlement procedures regarding an Annual Update, and all parties reserve their rights to oppose such requests on their merits, but may not object to such requests on the basis that hearing and/or settlement procedures are prohibited by these Protocols or the Formula Rate Spreadsheet. Nothing in these Protocols shall act as a bar to a party raising an issue in comments or in protests to the Annual Update that it has not raised in a prior Annual Update proceeding (including pre-filing phases of such proceeding) or with respect to which it has not previously exercised its rights under the Federal Power Act. It is expressly intended by these Protocols that FERC issue an order taking action, assuming any action is requested, on the Annual Update if protests and/or comments on the Annual Update are filed.
- 6) In any Annual Update proceeding, SCE shall bear the burden, consistent with Section 205 of the Federal Power Act, of showing the justness and reasonableness of the implementation of its Formula Rate by demonstrating that: (a) it has properly and reasonably applied the Formula Rate Spreadsheet and the procedures in these Protocols; (b) the costs to be recovered have been accurately stated, properly recorded and accounted for pursuant to applicable FERC accounting practices and procedures; (c) its projections have been reasonably made; (d) its calculation methodologies are consistent with the Formula Rate; and (e) any Material Accounting Changes are reasonable and consistent with the Uniform System of Accounts; Nothing herein is intended to alter the burden of proof applied by the Commission with respect to prudence.

- 7) SCE will make any revisions to the Base TRR and associated rates that are required by a final<sup>5</sup> Commission order with respect to each Annual Update. Unless otherwise ordered by the Commission, such revisions shall be effective as of the first day of the applicable Rate Year and shall be reflected, with interest calculated pursuant to the interest rate in Section 35.19a of the Commission's regulations, in the next subsequent Annual Update as a component of the True Up Adjustment. If the term of the Formula Rate is expiring so that there will be no future Annual Update, SCE shall include the TRR difference in the Final True Up Adjustment.
- 8) If SCE determines or concedes that a previously-filed Annual Update with a Prior Year not more than two years previous to the Prior Year of the current Annual Update contained errors that affected the True Up TRR calculated in that Annual Update, including but not limited to filed corrections to its FERC Form 1 that affect inputs to the Formula Rate, or errors in other input data used in determining the True Up TRR, SCE shall promptly serve notice to the Commission in the docket of the affected Annual Update that SCE intends to file an Amended Annual Update, with a brief description of the errors to be corrected in such filing. SCE shall additionally notify the entities that have participated in SCE's Annual Update filings of the errors and the upcoming Amended Annual Update. The Amended Annual Update shall:
- i recalculate the True Up TRR for all affected Prior Years;
  - ii compare, on a monthly basis, the difference between the initial incorrect True Up TRR and the revised correct True Up TRR; and
  - iii determine the cumulative amount of the difference in (ii), including interest calculated pursuant to the interest rate in 18 C.F.R. § 35.19a.

The difference in (iii) shall be included as an additional component to SCE's True Up Adjustment in the subsequent Annual Update as a One Time True Up Adjustment in accordance with the Formula Rate.

If the difference in (iii) would not result in an increase to the True-Up TRR of more than \$1 million, however, then SCE need not submit to the Commission an Amended Annual Update, as described above, but may include the difference in (iii) in its Draft Annual Update, or, if the error is discovered after the posting of a Draft Annual Update on June 15, in an amended Draft Annual Update posted on SCE's website no later than October 31.

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<sup>5</sup> All references in these Protocols to Commission orders or actions refer to the final form of such orders or actions (in accordance with the Federal Power Act and applicable Commission regulations, including without limitation Commission regulations with respect to a stay of a Commission order upon rehearing and/or an appeal), including as they may be modified as a result of a request for rehearing or Court appeal.

In the event that SCE has identified multiple input errors, SCE shall identify each such error and its correction individually. The amount proposed to be included in an Amended Annual Update, a Draft Annual Update, or an amended Draft Annual Update as a One Time True Up Adjustment shall be subject to scrutiny through the information exchange process and annual update procedures described in this Section 3.

#### **4. THE ANNUAL TRUE UP ADJUSTMENT AND THE FINAL TRUE UP ADJUSTMENT**

The Annual True Up Adjustment component of the Base TRR ensures that during the time the Formula Rate is in effect, SCE will recover its actual costs of owning and operating its ISO transmission facilities, as defined by the True Up TRR. The Annual True Up Adjustment is calculated for each Annual Update for the previous calendar year (the "Prior Year"), if the Formula Rate, or a previous formula rate, was in effect during some or all of that year, through the following steps:

- a) Calculate SCE's actual costs during the Prior Year, as measured by the "True Up TRR." The True Up TRR, as defined in the Formula Rate, is equal to the Prior Year TRR as defined in the Formula Rate, except that all of the Rate Base components used in the True Up TRR are based on 13-month average values or beginning-of-year and end-of-year average values.
- b) Attribute the True Up TRR to each month of the Prior Year as specifically defined in the Formula Rate.
- c) Determine SCE's actual retail base transmission revenues attributable to the Formula Rate on a monthly basis for each month of the Prior Year, in accordance with the Formula Rate.
- d) Compare SCE's monthly True Up TRR to SCE's monthly actual retail base transmission revenues. Each monthly difference shall be cumulated, including interest calculated on a monthly basis using the interest rate specified in the regulations of the Commission at 18 C.F.R § 35.19a, through the end of the Prior Year, in accordance with the Formula Rate to determine a "Shortfall or Excess Revenue in the Prior Year". The "Shortfall or Excess Revenue in the Prior Year" shall also include the "Shortfall or Excess Revenue in the Prior Year" from the previous Annual Update, as specifically included in Schedule 3 of the Formula Rate Spreadsheet, Schedule 3, Line 11, and any applicable One Time Adjustments.
- e) As stated in Section 6 below, the True Up Adjustment included in the Base TRR effective January 1, 2018 shall include the Final True Up Adjustment for the 2016 year calculated pursuant to the Original Formula Rate. The Final True Up Adjustment for the 2017 year calculated pursuant to the Original Formula Rate shall be included in the True Up Adjustment for the Annual Update submitted by December 1, 2018. The True Up Adjustment included in the Base TRR effective January 1, 2020 shall include the Final True Up Adjustment for the 2018 year calculated pursuant to the Second Formula Rate. The True Up Adjustment included in the Base TRR effective January 1, 2021 shall include the Final True Up Adjustment for the portion of the 2019 year for which the Second Formula

Rate was in effect, calculated pursuant to the Second Formula Rate.

In the event that this Formula Rate terminates, SCE shall calculate a Final True Up Adjustment. The Final True Up Adjustment shall cover the period of time ending on the expiration of the Formula Rate and beginning on the day after the period covered by the most recent Annual True Up Adjustment that was included in the Base TRR. For example, if the Formula Rate terminates on December 31, 2030, SCE will determine a Final True Up Adjustment in 2031 for calendar year 2030. Except as otherwise stated in this paragraph, the Final True Up Adjustment shall be determined using the same calculation methodology as the Annual True Up Adjustment.

Interest included in the Final True Up Adjustment shall be calculated through the date of the termination of the Formula Rate (or, in the event of a partial determination of the Final True Up Adjustment, through the end of the period covered by that partial determination). The Final True Up Adjustment shall be subject to the procedures described in Section 3 of the Protocols. If the Final True Up Adjustment reflects an undercollection by SCE, then SCE shall be entitled and required to recover the amount of this Final True Up Adjustment in SCE's successor transmission rates to this Formula Rate. If the Final True Up Adjustment reflects an overcollection by SCE, then SCE shall be required to refund the amount of this Final True Up Adjustment to its customers.

## **5. THE INCREMENTAL FORECAST PERIOD TRR**

The Incremental Forecast Period TRR ("IFPTRR"), calculated in Schedule 2 (Incremental Forecast Period TRR) of the Formula Rate Spreadsheet, is a component of SCE's Base TRR that represents the amount of transmission revenue requirement that SCE anticipates during the upcoming Rate Year that is incremental to that reflected in the Prior Year TRR as a result of additions of plant in service (identified in Schedule 16 (Plant Additions) of the Formula Rate) and/or CWIP expenditures (identified in Schedule 10 (CWIP) of the Formula Rate) to Rate Base. The IFPTRR shall be calculated in accordance with the Formula Rate.

## **6. TRANSITION OF THE ORIGINAL AND SECOND FORMULA RATES TO SUCCESSOR FORMULA RATES**

Pursuant to Section 4 of the Formula Rate Protocols for the Original Formula Rate, SCE is entitled and required to reflect the amount of any Final True Up Adjustment from the Original Formula Rate for the 2016 and 2017 years in its successor transmission rates. This Section 6 ensures that this requirement from the Original Formula Rate is implemented accurately.

The Formula Rate Base TRR and associated rates for the Rate Years 2018 and 2019 shall reflect a True Up Adjustment that is based on a True Up TRR for the years 2016 and 2017 respectively calculated pursuant to the Original Formula Rate. This shall be implemented in the rate filing for the 2018 Rate Year and the Annual Update for the 2019 Rate Year by including as a "One Time Adjustment" any difference in the True Up TRR for the Prior Years of 2016 and 2017 calculated under this Formula Rate and the True Up TRR amounts calculated pursuant to the Original Formula Rate in Column 4 of Schedule 3 of the Formula Rate Spreadsheet. The One Time Adjustment included in the 2018 Rate Year filing will reflect the difference between the 2016 year True Up TRR

calculated pursuant to the Second Formula Rate and the Original Formula Rate. The Annual Update for the 2019 Rate Year will reflect the difference between the 2017 year True Up TRR calculated pursuant to the Second Formula Rate and the Original Formula Rate. The 2017 True Up TRR calculated pursuant to the Original Formula Rate shall include an amount of Excess Deferred Income Taxes for year-end 2017 relating to the 2017 Tax Cuts and Jobs Act as a component of the calculation of Accumulated Deferred Income Taxes (“ADIT”) in Schedule 9 of the Formula Rate Spreadsheet created as a result of the change in the Federal Income Tax Rate. Such amount shall be included along with Account 190, 282, and 283 amounts in the calculation of End-of-Year “Total Accumulated Deferred Income Taxes” on Line 4 of Schedule 9.

Additionally, any transition from one formula rate to its successor formula rate shall ensure that the True Up TRRs for any years for which a previous formula rate or formula rates were in effect during all or part of that year are calculated utilizing the formula rate, or formula rates, that were in effect during the year being trued up. This shall be implemented through a “One Time Adjustment” reflecting the difference between the True Up TRR calculated using the Formula Rate in effect at the time of the Annual Update, and the True Up TRR calculated pursuant to the formula rate, or formula rates, that were in effect during the year being trued up. In the event that any year being trued up has two or more formulas in effect during that year, the True Up TRR for that year shall be based on a weighted average of the True Up TRRs calculated pursuant to the formula rates in effect that year, with the weighting being based on the number of days during the year that each was in effect. Any Annual Update which includes a Final True Up Adjustment for a previous year shall include a workpaper with a calculation of the associated One Time Adjustments.

## **7. DEPRECIATION RATES**

Depreciation rates for Transmission Plant, Distribution Plant, General Plant, and Intangible Plant shall be as stated in the Formula Rate Spreadsheet.

## **8. REVISIONS TO CERTAIN FORMULA RATE PROVISIONS**

SCE will be required to make single-issue Section 205 filings to change the Formula Rate as provided in Section 8, parts (a) through (e). In addition to the single-issue filings provided for in this Section 8 and subject to the limitations set forth in Section 11, SCE may make Section 205 filings that present only a single issue or limited discrete issues for consideration by the Commission, *i.e.*, proposing to change any one or more elements of its Formula Rate. Such filings shall not be governed by the provisions of this Section 8, and the parties and SCE reserve their rights with respect to any such filing.

In a proceeding commenced by such a single-issue Section 205 filing under Section 8, parts (a) and (b), the sole issues that can or shall be addressed are whether the changes proposed by SCE are consistent with these Protocols and are just and reasonable.

In a proceeding commenced by a single-issue filing under Section 8, part (c), the sole issues that can or shall be addressed are whether the changes proposed by SCE are just and reasonable and correctly implement the applicable California Public Utilities

Commission (“CPUC”) order.

In a proceeding commenced by a single-issue filing under Section 8, parts (d) and (e), the sole issue that can or shall be addressed is whether the changes proposed by SCE correctly implement the applicable CPUC order.

The proceedings commenced in response to the filings described in this Section shall not include or allow for consideration or examination of any other aspects of the Formula Rate or other issues associated with the Formula Rate, except to the extent that the proposed changes directly impact other Formula Rate components that are not the subject of the single-issue filing. All parties will have all applicable rights under the Federal Power Act and FERC’s regulations with respect to such single-issue Section 205 filings, except as limited by this Section 8.

- a) SCE will make a single-issue Section 205 filing to update the references in the Formula to reflect any changes to the format and/or content of the FERC Form 1 or the Uniform System of Accounts that affect the calculations set forth in the Formula in the event that a Commission order revises the format and/or content of the FERC Form 1 or the Uniform System of Accounts. This filing shall be submitted within sixty days of the implementation of any FERC decision to revise the FERC Form 1 or the Uniform System of Accounts, and shall be effective on the date of the revisions to the FERC Form 1 or Uniform System of Accounts, as applicable.
- b) With respect to Post-Retirement Benefits Other than Pensions (“PBOPs”), the Formula Rate identifies an Authorized PBOPs Expense Amount in Note 3 on Schedule 20 (Administrative and General Expenses). SCE shall make a single-issue Section 205 filing by April 1 of each year to revise the Authorized PBOPs Expense Amount, seeking an effective date of January 1 of the year of the filing.
- c) SCE will make a single-issue Section 205 filing seeking Commission approval to put in effect conforming changes to Schedule 21 of the Formula Rate any time that the CPUC adopts revisions to the Gross Revenue Sharing Mechanism (“GRSM”). SCE will make its filing with the Commission, as set forth in this Section, between January 1 and March 1 of the year following the year that the CPUC order became effective.
- d) SCE will make a single-issue Section 205 filing to revise Schedule 33 of the Formula Rate determination of retail transmission rates to reflect any change in Rate Groups, Rate Schedules, or the design of retail rates applicable to each Rate Schedule subsequent to any final CPUC order that affects these aspects of retail transmission rates. SCE will make such a filing only if and when the change in Rate Groups, Rate Schedules, or the design of retail rates cannot otherwise be reflected through the normal operation of the Formula Rate. In the single-issue Section 205 filing to the Commission, SCE will propose revisions to Schedule 33 of the Formula Rate that conform to the CPUC order. SCE will make a filing under this Section 8(d) by the later of either the filing date for the next Annual Update following the CPUC ruling or sixty days after the CPUC ruling.

- e) SCE will make a single-issue Section 205 filing to change the depreciation rates for General, Intangible or Distribution plant in Schedule 18 upon approval by the CPUC of revised depreciation rates for these plant categories. SCE shall make a filing at the Commission, as set forth in this section, between January 1 and March 1 of the year following the year that the CPUC order became effective.

## **9. DETERMINATION OF AMOUNT OF TRANSMISSION PLANT - ISO AND DISTRIBUTION PLANT - ISO**

SCE shall perform for the Prior Year a study ("Plant Study") to determine:

- The amount of plant classified as Transmission in SCE's annual FERC Form 1 filing that is under the Operational Control of the ISO. Such amount shall be called Transmission Plant - ISO; and
- The amount of plant classified as Distribution in SCE's annual FERC Form 1 filing that is under the Operational Control of the ISO. Such amount shall be called Distribution Plant - ISO.

The Plant Study determination of Transmission Plant - ISO and Distribution Plant - ISO will correspond to the end-of-year plant values for transmission and distribution published in SCE's FERC Form 1, and also shall be based on actual end-of-year ISO Operational Control of facilities. SCE will identify in the Plant Study major transmission facilities that have moved to or from ISO Operational Control in the Prior Year. Additionally, in submitting its future CPUC General Rate Case applications, SCE shall exclude from its CPUC-jurisdictional cost of service forecast, the cost of transmission and distribution facilities that SCE projects will be under the Operational Control of the ISO during the test year.

The methodology used in the Plant Study to determine Transmission Plant - ISO and Distribution Plant - ISO shall be as follows:

- a) For each Transmission account 350-359 and Distribution account 360-362, identify the year-end recorded gross plant amount.
- b) For Transmission accounts 350-359 and Distribution accounts 360-362, classify the assets by each location into one of the following categories:
  - 1) All ISO: All Transmission or Distribution assets at the location are under the Operational Control of the ISO.
  - 2) Non-ISO: No Transmission or Distribution assets at the location are under the Operational Control of the ISO.
  - 3) Mixed ISO and Non-ISO Substation: The Transmission or Distribution substation location has a mixture of assets under the Operational Control of the ISO and assets that are not under the Operational Control of the ISO.
  - 4) Mixed ISO and Non-ISO Line: Transmission line locations that have a mixture of assets under the Operational Control of the ISO and assets that are not under the Operational Control of the ISO that need to be analyzed

using the Transmission Line methodology.

- 5) Other: Assets for which there is not sufficient data to categorize into one of the above categories.

For all plant costs classified as (1) "All ISO", classify all such plant costs as Transmission Plant - ISO or Distribution Plant - ISO, as appropriate. For all plant costs classified as (2) "Non-ISO", classify none of such plant costs as "Transmission Plant - ISO" or "Distribution Plant - ISO."

For all plant costs classified as (3) "Mixed ISO and Non-ISO Substation," perform an analysis of plant costs based on individual components of the substation. Component plant costs that are under the Operational Control of the ISO shall be attributed to either Transmission Plant - ISO or Distribution Plant - ISO, as appropriate. Component plant costs that are not under the Operational Control of the ISO shall not be attributed to either Transmission Plant - ISO or Distribution Plant - ISO. Dual Use assets (supporting both ISO and non-ISO plant) shall be allocated to Transmission Plant - ISO or Distribution Plant - ISO based on the percentage of ISO assets for the location.

For all plant costs classified as (4) "Mixed ISO and Non-ISO Line," apply the methodology set forth in Section 9(c) below to classify such costs.

For all plant costs classified as (5) "Other" in a location, classify such costs as Transmission Plant - ISO or Distribution Plant - ISO in proportion to the total percentage of Transmission Plant - ISO or Distribution Plant - ISO determined in parts (1) through (4) for that location.

- c) Transmission line costs (including any amounts in accounts 350, 352, and 353) required to be analyzed under the Transmission Line methodology pursuant to (b) (4) above shall be attributed to Transmission Plant - ISO according to the following methodology:

- 1) For each location, determine the total line miles and total line miles that are under the Operational Control of the ISO. Determine the percent of total line miles under the Operational Control of the ISO to total line miles at that location. This calculation shall be done separately for overhead and underground facilities in the location.
- 2) Determine the amount of Transmission Plant - ISO by applying the percent determined in (1) to the appropriate plant costs by account at that location.

SCE shall present a summary of the Plant Study for the Prior Year in each annual Draft Annual Update, in accordance with the Formula Rate.

## **10. DETERMINATION OF AMOUNT OF ISO OPERATION AND MAINTENANCE EXPENSE**

SCE shall annually determine the amount of recorded Transmission and Distribution Operation and Maintenance (“O&M”) expenses that is attributable to facilities under the Operational Control of the ISO (“ISO O&M Expense”). The method used to determine ISO O&M Expense shall be to allocate total recorded O&M Expenses as stated in FERC Form 1 based on specific allocation factors applied to the expenses recorded to the O&M accounts set forth in Schedule 19 of the Formula Rate Spreadsheet.

In the event that SCE experiences an extraordinary event, resulting in costs otherwise recoverable through the Formula Rate in a year to be recorded to Account 435 (Extraordinary Deductions) of the Uniform System of Accounts, SCE shall recover the full amount of such Account 435 costs, including any expenses or return on capital, in accordance with the Commission Order authorizing such recovery.

## **11. RESERVATION OF RIGHTS**

- a) Nothing in these Protocols shall be deemed to limit in any way the right of any party admitted as an intervenor to this Formula Rate proceeding or admitted as an intervenor to any future proceeding involving an Annual Update to file a request for relief under any applicable provision of the FPA and/or the Commission’s regulations or participate in Annual Update proceedings.
- b) Nothing in these Protocols shall be deemed to limit in any way SCE’s right to file unilaterally, pursuant to Section 205 of the FPA and the regulations thereunder, to seek to change or cancel the Formula Rate, or to submit any other request for relief under any applicable provision of the FPA and/or the Commission’s regulations.
- c) The party filing a proposed change to the Formula Rate Spreadsheet or Formula Rate Protocols under Section 205 or 206 of the FPA bears the standard burdens associated with such a filing.

## **12. USE OF INFORMATION**

Information produced pursuant to these Protocols may be used in any proceeding concerning the Formula Rate Spreadsheet, the Protocols, or the Annual Update; provided, however, that to the extent that any information provided pursuant to these Protocols has been designated and provided as Protected Materials, subject to the provisions of Exhibit A to these Protocols, the use of such information shall be governed by Exhibit A.

This section shall not apply to any information produced in the course of Commission-established settlement proceedings pursuant to the Commission’s rules and regulations governing settlement.

EXHIBIT A

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

PROTECTIVE ORDER APPLICABLE TO INFORMATION PRODUCED  
BY SOUTHERN CALIFORNIA EDISON COMPANY  
PURSUANT TO THE FORMULA RATE PROTOCOLS

1. This Exhibit (hereinafter referred to as the “Protective Order”) shall govern the use of all Protected Materials produced by, or on behalf of, Southern California Edison Company (“SCE”) pursuant to the SCE Formula Rate Protocols.

2. This Protective Order applies to the following two categories of materials: (A) A Participant may designate as protected those materials which customarily are treated by that Participant as sensitive or proprietary, which are not available to the public, and which, if disclosed freely, would subject that Participant or its customers to risk of competitive disadvantage or other business injury; and (B) A Participant shall designate as protected those materials which contain critical energy infrastructure information, as defined in 18 CFR§ 388.113(c)(1) ("Critical Energy Infrastructure Information").

3. Definitions -- For purposes of this Order:

(a) The term "Participant" shall mean a Participant as defined in 18 CFR § 385.102(b).

(b) (1) The term "Protected Materials" means (A) materials (including depositions) provided by a Participant in response to discovery requests and designated by such Participant as protected; (B) any information contained in or obtained from such designated materials; (C) any other materials which are made subject to this Protective Order by the Presiding Administrative Law Judge appointed upon the Annual Update being set for hearing and/or settlement procedures or by the Discovery Master appointed pursuant to the Formula Rate Protocols (both referred to herein as the “Presiding Judge”), by the Commission, by any court or other body having appropriate authority, or by agreement of the Participants; (D) notes of Protected Materials; and (E) copies of Protected Materials. The Participant producing the Protected Materials shall physically

mark them on each page as "PROTECTED MATERIALS" or with words of similar import as long as the term "Protected Materials" is included in that designation to indicate that they are Protected Materials. If the Protected Materials contain Critical Energy Infrastructure Information, the Participant producing such information shall additionally mark on each page containing such information the words "Contains Critical Energy Infrastructure Information B Do Not Release".

(2) The term "Notes of Protected Materials" means memoranda, handwritten notes, or any other form of information (including electronic form) which copies or discloses materials described in Paragraph 3(b)(1). Notes of Protected Materials are subject to the same restrictions provided in this order for Protected Materials except as specifically provided in this order.

(3) Protected Materials shall not include (A) any information or document that has been filed with and accepted into the public files of the Commission, or contained in the public files of any other federal or state agency, or any federal or state court, unless the information or document has been determined to be protected by such agency or court, or (B) information that is public knowledge, or which becomes public knowledge, other than through disclosure in violation of this Protective Order. Protected Materials do include any information or document contained in the files of the Commission that has been designated as Critical Energy Infrastructure Information.

(c) The term "Non-Disclosure Certificate" shall mean the certificate annexed hereto by which Participants who have been granted access to Protected Materials shall certify their understanding that such access to Protected Materials is provided pursuant to the terms and restrictions of this Protective Order, and that such Participants have read the Protective Order and agree to be bound by it. All Non-Disclosure Certificates shall be served on all parties on the Service List, as defined in the SCE Formula Rate Protocols.

(d) The term "Reviewing Representative" shall mean a person who has signed a Non-Disclosure Certificate and who is:

- (1) Commission Trial Staff;
- (2) an attorney who has made an appearance for a Participant;
- (3) attorneys, paralegals, and other employees associated with an attorney described in Subparagraph (2);

(4) an expert or an employee of an expert retained by a Participant for the purpose of advising, preparing for or testifying in connection with the Annual Update for which the information was requested;

(5) a person designated as a Reviewing Representative by order of the Presiding Judge or the Commission; or

(6) employees or other representatives of Participants with significant responsibility for SCE's Formula Rate.

4. Protected Materials shall be made available under the terms of this Protective Order only to Participants and only through their Reviewing Representatives as provided in Paragraphs 7-9.

5. Protected Materials shall remain available to Participants until the date that any Commission proceeding relating to the Protected Material is concluded and no longer subject to judicial review. If requested to do so in writing after that date, the Participants shall, within fifteen days of such request, return the Protected Materials (excluding Notes of Protected Materials) to the Participant that produced them, or shall destroy the materials, except that copies of filings, official transcripts and exhibits in this proceeding that contain Protected Materials, and Notes of Protected Material may be retained, if they are maintained in accordance with Paragraph 6, below. Within such time period each Participant, if requested to do so, shall also submit to the producing Participant an affidavit stating that, to the best of its knowledge, all Protected Materials and all Notes of Protected Materials have been returned or have been destroyed or will be maintained in accordance with Paragraph 6. To the extent Protected Materials are not returned or destroyed, they shall remain subject to the Protective Order.

6. All Protected Materials shall be maintained by the Participant in a secure place. Access to those materials shall be limited to those Reviewing Representatives specifically authorized pursuant to Paragraphs 8-9. The Secretary shall place any Protected Materials filed with the Commission in a non-public file. By placing such documents in a non-public file, the Commission is not making a determination of any claim of privilege. The Commission retains the right to make determinations regarding any claim of privilege and the discretion to release information necessary to carry out its jurisdictional responsibilities. For documents submitted to Commission Trial Staff ("Staff"), Staff shall follow the notification procedures of 18 CFR § 388.112 before making public any Protected Materials.

7. Protected Materials shall be treated as confidential by each Participant and by the Reviewing Representative in accordance with the certificate executed pursuant to

Paragraph 9. Protected Materials shall not be used except as necessary under SCE's Formula Rate Protocols, nor shall they be disclosed in any manner to any person except a Reviewing Representative who is engaged in working on SCE's Annual Update for which the information was requested and who needs to know the information in order to carry out such responsibilities. Reviewing Representatives may make copies of Protected Materials, but such copies become Protected Materials. Reviewing Representatives may make notes of Protected Materials, which shall be treated as Notes of Protected Materials if they disclose the contents of Protected Materials.

8. (a) If a Reviewing Representative's scope of employment includes the marketing of energy, the direct supervision of any employee or employees whose duties include the marketing of energy, the provision of consulting services to any person whose duties include the marketing of energy, or the direct supervision of any employee or employees whose duties include the marketing of energy, such Reviewing Representative may not use information contained in any Protected Materials obtained under SCE's Formula Rate Protocols to give any Participant or any competitor of any Participant a commercial advantage.

(b) In the event that a Participant wishes to designate as a Reviewing Representative a person not described in Paragraph 3 (d) above, the Participant shall seek agreement from the Participant providing the Protected Materials. If an agreement is reached that person shall be a Reviewing Representative pursuant to Paragraphs 3(d) above with respect to those materials. If no agreement is reached, the Participant shall submit the disputed designation to the Presiding Judge for resolution.

9. (a) A Reviewing Representative shall not be permitted to inspect, participate in discussions regarding, or otherwise be permitted access to Protected Materials pursuant to this Protective Order unless that Reviewing Representative has first executed a Non-Disclosure Certificate; provided, that if an attorney qualified as a Reviewing Representative has executed such a certificate, the paralegals, secretarial and clerical personnel under the attorney's instruction, supervision or control need not do so. A copy of each Non-Disclosure Certificate shall be provided to counsel for the Participant asserting confidentiality prior to disclosure of any Protected Material to that Reviewing Representative.

(b) Attorneys qualified as Reviewing Representatives are responsible for ensuring that persons under their supervision or control comply with this order.

10. Any Reviewing Representative may disclose Protected Materials to any other Reviewing Representative as long as the disclosing Reviewing Representative and the receiving Reviewing Representative both have executed a Non-Disclosure Certificate. In the event that any Reviewing Representative to whom the Protected Materials are disclosed ceases to be engaged in working on the Annual Update, as set forth above, or is employed or retained for a position whose occupant is not qualified to be a Reviewing Representative under Paragraph 3(d), access to Protected Materials by that person shall be terminated. Even if no longer engaged in this proceeding, every person who has executed a Non-Disclosure Certificate shall continue to be bound by the provisions of this Protective Order and the certification.

11. Subject to Paragraph 18, the Presiding Administrative Law Judge shall resolve any disputes arising under this Protective Order. Prior to presenting any dispute under this Protective Order to the Presiding Administrative Law Judge, the parties to the dispute shall use their best efforts to resolve it. Any participant that contests the designation of materials as protected shall notify the party that provided the protected materials by specifying in writing the materials the designation of which is contested. This Protective Order shall automatically cease to apply to such materials five (5) business days after the notification is made unless the designator, within said 5-day period, files a motion with the Presiding Administrative Law Judge, with supporting affidavits, demonstrating that the materials should continue to be protected. In any challenge to the designation of materials as protected, the burden of proof shall be on the participant seeking protection. If the Presiding Administrative Law Judge finds that the materials at issue are not entitled to protection, the procedures of Paragraph 18 shall apply. The procedures described above shall not apply to protected materials designated by a Participant as Critical Energy Infrastructure Information. Materials so designated shall remain protected and subject to the provisions of this Protective Order, unless a Participant requests and obtains a determination from the Commission's Critical Energy Infrastructure Information Coordinator that such materials need not remain protected.

12. All copies of all documents reflecting Protected Materials, including the portion of the hearing testimony, exhibits, transcripts, briefs and other documents which refer to Protected Materials, shall be filed and served in sealed envelopes or other appropriate containers endorsed to the effect that they are sealed pursuant to this Protective Order. Such documents shall be marked "PROTECTED MATERIALS" and shall be filed under seal and served under seal upon the Presiding Judge and all Reviewing Representatives who are on the service list. Such documents containing Critical Energy Infrastructure Information shall be additionally marked "Contains Critical Energy Infrastructure Information - Do Not Release". For anything filed under seal, redacted versions or, where an entire

document is protected, a letter indicating such, will also be filed with the Commission and served on all parties on the service list and the Presiding Judge. Counsel for the producing Participant shall provide to all Participants who request the same, a list of Reviewing Representatives who are entitled to receive such material. Counsel shall take all reasonable precautions necessary to assure that Protected Materials are not distributed to unauthorized persons.

13. If any Participant desires to include, utilize or refer to any Protected Materials or information derived therefrom in testimony or exhibits during a hearing under the SCE Formula Rate Protocols in such a manner that might require disclosure of such material to persons other than reviewing representatives, such participant shall first notify both counsel for the disclosing participant and the Presiding Judge of such desire, identifying with particularity each of the Protected Materials. Thereafter, use of such Protected Material will be governed by procedures determined by the Presiding Judge.

14. Nothing in this Protective Order shall be construed as precluding any Participant from objecting to the use of Protected Materials on any legal grounds.

15. Nothing in this Protective Order shall preclude any Participant from requesting the Presiding Judge, the Commission, or any other body having appropriate authority, to find that this Protective Order should not apply to all or any materials previously designated as Protected Materials pursuant to this Protective Order. The Presiding Judge may alter or amend this Protective Order as circumstances warrant at any time during the course of this proceeding.

16. Each party governed by this Protective Order has the right to seek changes in it as appropriate from the Presiding Judge or the Commission.

17. All Protected Materials filed with the Commission, the Presiding Judge, or any other judicial or administrative body, in support of, or as a part of, a motion, other pleading, brief, or other document, shall be filed and served in sealed envelopes or other appropriate containers bearing prominent markings indicating that the contents include Protected Materials subject to this Protective Order. Such documents containing Critical Energy Infrastructure Information shall be additionally marked "Contains Critical Energy Infrastructure Information – Do Not Release."

18. If the Presiding Judge finds at any time in the course of a proceeding that all or part of the Protected Materials need not be protected, those materials shall, nevertheless, be subject to the protection afforded by this Protective Order for three (3) business days from the date of issuance of the Presiding Judge's determination, and if the Participant seeking protection files an interlocutory

appeal or requests that the issue be certified to the Commission, for an additional seven (7) business days. None of the Participants waives its rights to seek additional administrative or judicial remedies after the Presiding Judge's decision respecting Protected Materials or Reviewing Representatives, or the Commission's denial of any appeal thereof. The provisions of 18 CFR §§ 388.112 and 388.113 shall apply to any requests under the Freedom of Information Act. (5 U.S.C. § 552) for Protected Materials in the files of the Commission.

19. Nothing in this Protective Order shall be deemed to preclude any Participant from independently seeking through discovery in any other administrative or judicial proceeding information or materials produced under the SCE Formula Rate Protocols under this Protective Order.

20. None of the Participants waives the right to pursue any other legal or equitable remedies that may be available in the event of actual or anticipated disclosure of Protected Materials.

21. The contents of Protected Materials or any other form of information that copies or discloses Protected Materials shall not be disclosed to anyone other than in accordance with this Protective Order and shall be used only in connection with this (these) proceeding(s). Any violation of this Protective Order and of any Non-Disclosure Certificate executed hereunder shall constitute a violation of an order of the Commission.

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

NON-DISCLOSURE CERTIFICATE

I hereby certify my understanding that access to Protected Materials is provided to me pursuant to the terms and restrictions of the Protective Order under the Southern California Edison Formula Rate Protocols, that I have been given a copy of and have read the Protective Order, and that I agree to be bound by it. I understand that the contents of the Protected Materials, any notes or other memoranda, or any other form of information that copies or discloses Protected Materials shall not be disclosed to anyone other than in accordance with that Protective Order. I acknowledge that a violation of this certificate constitutes a violation of an order of the Federal Energy Regulatory Commission.

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Representing: \_\_\_\_\_  
Date: \_\_\_\_\_